

ANOTHER VIEW

FRIDAY FORUM

How do the Erie region's two congressmen assess the federal government's budget deficit situation?

Truths about budget deficits paint different fiscal picture

In the Friday Forum, we pose a question on crucial issues to various community leaders and members, as well as authorities on certain topics, then publish their responses.

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Alan Greenspan recently testified before Congress about the positive impact of President Bush's tax cuts on spurring economic growth and creating jobs. More than a quarter million new jobs were created last month, continuing a steady rate of economic growth over the past two years which has included many new manufacturing jobs.

In fact, despite references to the Great Depression during last year's presidential campaign, there are many more jobs in the U.S. now than there were in late 2000 before our economy turned south in the waning months of the Clinton administration. Our nation's current recovery is remarkable, given the severe economic impact of the 9/11 terrorist attacks, the rash of corporate scandals, and the bust of the dot-com boom. While we are still facing serious economic challenges in northwestern Pennsylvania, inflation is low and our national unemployment rate of 5.4 percent is the envy of countries like Germany, where unemployment is over 12 percent.

So why is our federal budget deficit so high? First, to add a little perspective, the current deficit is around 3.5 percent of our Gross Domestic Product — not even in the top 10 list of deficits over the past 25 years. And without the economic growth



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■ Peterson follows 3rd District Congressman Phil English, who explained his deficit views on March 11.

spurred by the 2001 and 2003 tax cuts, our national economy would be in much worse shape than it is today and budget deficits would be the least of our problems.

That being said, the current budget deficit is a serious issue that will have negative economic repercussions if not dealt with.

The war on terror and continuing efforts to strengthen homeland security have been very costly. Adding a prescription drug benefit to Medicare and increasing federal education spending have also contributed to the deficit. Transportation projects, economic development and social services all cost money. These are all worthy investments that must be balanced with our current budgetary constraints.

President Bush has introduced a budget proposal that would reduce the federal deficit from 3.5 percent to 2.3 percent of GDP

in the next two years, in line with historic deficits over the past 40 years. While members of Congress — myself included — may disagree with some of the president's specific budget cuts, there is broad agreement that federal spending must be tightened, and I am committed to working with the president to hold the line on discretionary spending.

Unfortunately, discretionary spending only makes up approximately one third of the federal budget, meaning that two thirds of the budget is beyond the annual control of Congress. This remaining two thirds is made up of mandatory spending programs like Social Security, Medicare and Medicaid that are growing exponentially as baby boomers begin to retire and health-care costs continue to soar. From 1960 until today, these three programs

have grown from 2.1 percent of GDP to more than 8 percent, and are predicted to make up 27 percent of our total economy within the next 45 years — more than our entire federal budget today. Any discussion of the budget deficit would be incomplete without addressing these important programs.

While many in the Democratic Party are taking a "head in the sand" approach to the looming Social Security crisis, the fact is that the program is going broke and will not be there to support the youth of our nation. In addition to supporting the tax cuts, Greenspan warned Congress this week that doing nothing to shore up Social Security will lead to even greater budget deficits and cause the economy "to stagnate or worse." We must have a broad discussion about how to strengthen Social Security for future generations without jeopardizing the benefits of those who are in or nearing retirement.

Tax cuts and responsible economic policies have brought our nation back from recession. The president and Congress are working to rein in discretionary spending without shortchanging priorities like homeland security, health care and education. But in order to truly eliminate the long-term deficit, we must strengthen Social Security and other entitlement programs so that they

will continue to serve future generations without bankrupting America's taxpayers. As we work to reduce the federal deficit, we must continue to fight to reinvigorate our rural economy in northwestern Pennsylvania, which has been in decline for several decades.

We must fight unfair trade practices by countries like China while improving our ability to compete through the use of technology. One of Pennsylvania's Achilles' heels is our lack of a low-cost technical education and community college system that can train our young people and retrain adults to compete in today's technology-driven economy. We need a technology education system that is focused on serving the poorest among us and helping those who have been left behind by our academic system get back on the ladder toward a successful career.

We must also start working as a region to protect and attract new jobs, while pressuring our state government to modernize its economic development system to better serve area businesses and industries. From a national energy plan to medical liability reform, there are many important priorities that have the potential to significantly improve our quality of life in northwestern Pennsylvania.